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Industrial Development Board

Seventh special session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 21 April 1997, at 10 a.m.

President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
1	Opening of the seventh special session	1
2	Adoption of the agenda	2 - 4
-	Statement by the Director-General	5 - 28
-	Organization of work	29 - 31
4	Other matters	32 - 57

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The meeting was called to order at 10.45 a.m.

OPENING OF THE SEVENTH SPECIAL SESSION

1. **The PRESIDENT** declared open the seventh special session of the Board. The session had been convened at the request of the majority of Board members and in compliance with Article 9.3 (a) of the Constitution of UNIDO and with the relevant rules of procedure of the Industrial Development Board, and was intended to focus on the future of UNIDO. Collective wisdom and the political commitment of Member States were urgently required in tackling that issue. He hoped that the special session would provide clear guidance for revitalizing the Organization and for the preparation of the programme and budget for 1998-1999, to be submitted to the forthcoming General Conference. The uncertain situation in which UNIDO now found itself could not be allowed to continue: he looked forward to hearing suggestions from delegations on how the Organization could adjust to the changing situation so as to carry out more effectively its function of promoting and accelerating industrial development. To that end, he suggested that, in the general debate, delegations should focus on substantive issues.

ADOPTION OF THE AGENDA (IDB/S.7/1, IDB/S.7/CRP.1)

2. **The PRESIDENT** referred delegations to the provisional agenda set out in document IDB/S.7/1, drawn up by the Secretariat in compliance with rule 13 of the rules of procedure of the Board. He suggested that a new item, entitled "Other matters", be inserted, to enable the Board to discuss postponement of the deadline for nomination of candidates for the post of Director-General.

3. *It was so decided.*

4. *The proposed agenda, as amended, was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

5. **Mr. DE MARIA Y CAMPOS** (Director-General) welcomed delegations to the seventh special session of the Industrial Development Board and paid a tribute to the leadership of its President, who could not have anticipated the special responsibilities that would emerge as a result of developments in late 1996.

6. The special session was to devote itself exclusively to an issue of immense importance: the future of UNIDO. But before looking to the future, it was appropriate to look back. Since Yaoundé, where all Member States had endorsed his blueprint for reform, the Organization had been forging ahead with that process. Its achievements had been widely recognized in various fora and it had adjusted to the new global economic realities within a remarkably short time.

7. The Organization today was very different from what it was when he had been elected to the office of Director-General. It had become more relevant in meeting the support requirements of developing countries and countries with economies in transition, more effective in delivering high-quality services and more efficient in the utilization of scarce budgetary resources. Yet some Member States had recently decided to leave the Organization or to consider the possibility of withdrawing. For UNIDO, that had implied uncertainty and hardship—doing more with much less resources—and a weakening of the very logic and objective of reform. It had been extremely frustrating to see budget reductions and personnel downsizing becoming ever more dominant, at the expense of programme delivery to recipient countries.

8. Perhaps more than any other organization of the United Nations system, UNIDO had been subject to assessments by Member States. The European Union had recently undertaken a thorough review and Denmark had engaged in an in-depth evaluation of performance at Headquarters. He was confident that, when announced, the results of those exercises would be positive.

9. Though reform had to be a continuous process, the uncertainty about UNIDO's future had to come to an end. Such uncertainty bred insecurity and lack of confidence among staff; it stifled initiative and commitment. He hoped that the special session of the Board would start to put UNIDO back on a firm foundation.

10. Four questions were considered to be of prime relevance to the Board's discussions: what should be UNIDO's future status? Which would be its key functions? How could its programmes focus more on core competencies and support requirements? And what level of budgetary resources would be available in the future?

11. In a document he had submitted to the Board (IDB/S.7/2), he put forward his proposals in answer to the first three questions. He had suggested, *inter alia*, that UNIDO should continue to operate as a specialized agency and that it should assume four key functions: to provide a global forum for industrial development issues, to enhance institutional capacities to promote industrialization, to broaden and accelerate the flow of industrial investment and technology resources and to promote the application of environmentally sound technologies. UNIDO should concentrate its activities on low-income countries and regions, with special emphasis on the least developed and African countries. It should operate in a

more decentralized manner with stronger field representation and should actively support South-South co-operation, particularly by making available the expertise of more advanced developing countries and countries with economies in transition.

12. His proposal translated those ideas into a clustering of UNIDO programmes in two areas, the first combining the global forum function with capacity-building for industrial competitiveness, and the second bringing together sustainable technologies and investment promotion. He had also identified some specific activities that could be discontinued, in view of the involvement of other United Nations agencies or private consulting firms. A number of proposals for enhancing the efficiency of administrative and coordinating functions could result in a reduction of approximately 5 per cent in the current regular budget. Finally, he had submitted a concept for developing stable sources of extrabudgetary income.

13. The effective demand for UNIDO's services had risen strongly in recent years, by 35 per cent in 1996 alone. It was distressing that an organization that had so clearly demonstrated its continued relevance and responsiveness to the needs of its clients should be faced with further budgetary cuts. He appealed to those Member States concerned to reconsider their announced withdrawal from UNIDO and to all Member States not to impose upon UNIDO budget cuts beyond those resulting from possible changes in the Organization's membership. Any further significant budgetary reduction could not be achieved without reducing the Organization's substantive capacity for service delivery.

14. He hoped that the Board would concur with his proposals for the future of UNIDO and that the special session would clarify the Organization's orientation and shape for the future.

15. As a Latin American, a man from a developing country, he recognized how much had to be done to overcome poverty and inequality and to meet the challenges of industrialization in the twenty-first century. On his election as Director-General of the Organization, he had taken on a commitment to strengthen and reform UNIDO so that it would better serve the interests of the developing world and was immediately confronted with an urgent need for financial adjustment, including a 10 per cent reduction in staff to solve a budget deficit of $500,000 per month; and with the necessity of radical reform to bring up to date UNIDO's structure and priorities, entailing a further 25 per cent reduction in staff. In 1994, with the reforms scarcely launched, the United States had decided not to pay its contributions and to announce that it would withdraw from the Organization in December 1995. As from November 1996, after the fundamental aspects of the reform had been completed, the Organization had again confronted doubts about its relevance, announcements of withdrawals by important developed countries, proposals for merging with other United Nations agencies and threats of drastic budget reductions.

16. He welcomed the fact that the special session had been convened through the responsible action of Member States and that consensus was beginning to take shape among developed countries in favour of a serious discussion of the future of UNIDO. Yet pressure to continue pruning down the Organization persisted. While his visits to developing countries and countries with economies in transition confirmed that UNIDO played an irreplaceable role, his conversations in the industrialized countries had led him to conclude that official development assistance would continue to decline. UNIDO seemed to have been branded with a scarlet letter and to be seen as an organization to be tolerated in the new world of free trade only when the developing countries clamoured for it, and as long as they contented themselves with a small organization that did not make much noise.

17. UNIDO's potential lay in generating productive employment through clean and competitive industry, in converting a zero sum game in which some countries gained what others lost into a new formula under which all countries gained. He was an inveterate optimist, but he was also a pragmatic man. That was why his proposals on the future of UNIDO concentrated, to his regret, on basic functions and priorities. Yet he believed in a strengthened UNIDO, not a diminished one; a UNIDO with relevance and impact, not one that served merely for show; a UNIDO with at least a minimum of financial certainty, not a budget that was constantly called into question; a UNIDO that would reward its staff with stability, not keep them in a state of anxiety; a UNIDO that enjoyed the political commitment of countries, not indifference, criticism or permanent questioning.

18. He had tried to exercise leadership by complying fully and honestly with the commitment taken on in 1993. As Director-General, he had many times said "Yes" and at other times had had to say "No", but had always sought to be consistent with his convictions and with what was best for UNIDO. Unfortunately, the future was not very bright, even for the best of knights in shining armour prepared to rescue the Organization. He therefore wished to inform Member States that he would not be the leader of a mutilated UNIDO that was gradually bleeding to death, incapable of fulfilling its commitments to the developing countries—and he had therefore decided not to seek re-election as Director-General.

19. He was grateful to his country, Mexico, for its support. He likewise expressed appreciation to his region, Latin America and the Caribbean, and to all the Member

States which had given him their unwavering support. Of them, he had only one request: to place the interests of the Organization before personal and group interests and to devote their best efforts to ensuring the survival of a strong and relevant UNIDO. In the remaining time of his mandate, he would concentrate all his energies on consolidating the reforms of the Organization and safeguarding its basic functions; he considered those tasks to be his moral obligation and his professional responsibility. He hoped Member States were aware that UNIDO was approaching a very fine line and that crossing it would irremediably reduce its viability and usefulness. He hoped for the solidarity and loyalty of his colleagues in the difficult times being faced by the Organization.

20. **Ms. LAJOUS VARGAS** (Mexico), referring to the Director-General's decision not to stand for re-election, expressed her Government's great appreciation of Mr. de Maria y Campos's work. His election in 1993 had been a great honour for Mexico and there was high regard in her country for his achievements as Director-General of UNIDO. Administrative costs had been reduced and the withdrawal of the major contributor had been faced without affecting the Organization's main areas of activity. Furthermore, the reform of the Organization, without precedent in the United Nations system, had been recognized by Member States and international bodies, including the General Assembly. The success achieved was directly linked to the support and commitment of the Member States and she expressed gratitude to all those who had contributed to the achievement of those results. In that connection, her Government particularly welcomed GRULAC's support of the Director-General's work and the commitment of UNIDO's staff.

21. The multilateral system as a whole was being called in question and pressure was being exerted in some countries to reduce contributions. Developing countries and countries with economies in transition were now facing unprecedented requirements to enable them to gain access to the globalized economy; UNIDO had to adjust to the new realities. Renewed commitment and political will on the part of all Member States were necessary to guarantee the Organization's future. Financial resources had to be made available to put an end to the current climate of uncertainty. If the present situation did not change, the efforts made hitherto might be in vain; Member States should decide on the form that the Organization was to take in the future.

22. For its part, Mexico would continue to participate actively in UNIDO's work after the term of office of the present Director-General had expired and would continue to pay its financial contributions on time.

23. She requested that the full text of her statement be included in the final report of the session.

24. **Mr. MEYER MEDINA** (Observer for Bolivia), speaking on behalf of the Latin American and Caribbean Group (GRULAC) and on behalf of Spain, said that the Director-General had made every effort to work in UNIDO's interests and had launched a series of courageous and positive reforms. His management skills, enthusiasm, wisdom and commitment were to be commended and GRULAC would continue to support Mr. de Maria y Campos until the very end of his mandate.

25. **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria), speaking as the representative of the host country, expressed his sincere regret at the situation which had led to the Director-General's decision not to stand for re-election. Mr. de Maria y Campos had made unprecedented efforts to reform and revitalize the Organization and, while the withdrawal of the United States might have acted as a catalyst with regard to the reform process, the right decisions had been taken at the right time. Member States had expressly approved proposals put forward by the Director-General concerning that process and the latest crisis could not reasonably be blamed on the Organization itself. Although he respected the Director-General's decision and the spirit in which it had been taken, he hoped that such a drastic and highly unusual step would ensure that a solution to the present crisis would be found.

26. He expressed Austria's respect for and gratitude to Mr. de Maria y Campos.

27. **Mr. HALIM MOHAMED** (Sudan) said that the Director-General's decision not to stand for re-election was not, in his view, a withdrawal from the battle, but an illustration of the fact that he did not want to be the person to bury the Organization as a result of the actions of Member States.

28. Having welcomed the Director-General's objective analysis of the Organization's current situation, he said that Member States should be practical and realistic. Political and financial commitment as well as a focus on the industrial development of developing countries and adequate resources were essential for the Organization's future. The Director-General's comments should encourage a frank discussion on the future of UNIDO with a view to enabling the Organization to carry out its tasks on the basis of Member States' commitments and the resources available.

The meeting was suspended at 11.45 a.m. and resumed at 12.15 p.m.

ORGANIZATION OF WORK

29. **The PRESIDENT** proposed that the Board decide to suspend rule 32 of the rules of procedure regarding the quorum. A quorum would not be considered a requirement for starting meetings, except in the case of meetings at which decisions of a substantive nature were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal of suspension, which might be waived if no member of the Board objected.

30. In the absence of any objections, he would assume that the Board wished to suspend rule 32.

31. *It was so decided.*

OTHER MATTERS (IDB/S.7/2, IDB/S.7/4, IDB/S.7/5, IDB/S.7/5, IDB/S.7/6, IDB/S.7/7, IDB/S.7/CRP.2, IDB/S.7/CRP.3, IDB/S.7/CRP.4)

32. **The PRESIDENT,** responding to a request for clarification from the representative of Morocco, said that the question to be discussed under the current agenda item was the possibility of extending the deadline for the nomination of candidates for the post of Director-General.

33. **Mr. BENMOUSSA** (Morocco) said that when the Board had decided to hold a seventh special session, it had been fully aware that the deadline was 23 April. At its meeting on 18 April, the enlarged Bureau had been aware that if the election of the Director-General took place at the Board's seventeenth session, starting on 23 June 1997, that deadline would have to be extended requiring the suspension of paragraph 2 of rule 61 of the rules of procedure of the IDB. It had since transpired, however, that the agenda of the seventeenth regular session already consisted of 17 items, including the election of the Director-General.

34. It had also been clear to the enlarged Bureau that the general debate started at the current special session would continue at the regular session in June. In view of the importance of separating the question of the future of the Organization from that of its leadership, a further possibility had been envisaged, namely, to reconvene a one-day meeting of the IDB specifically to discuss the appointment of a new Director-General. Such a meeting could not be held until September, in order to allow time to cope with any difficulties which might arise if the first round of the elections were inconclusive.

35. A further argument in favour of the September alternative, was that there would be no need to suspend any of the rules of procedure because the new deadline would be at the end of July. The July deadline would also give time for more candidates to be put forward, giving Member States greater choice.

36. He therefore proposed that the September solution, which had been favoured by the enlarged Bureau, should be adopted by a consensus and without extensive debate.

37. **Mr. WURIE** (Sierra Leone) fully supported those views. The Board could not discuss the leadership question until it knew what form the Organization was going to take. It was also important to allow ministers an opportunity to provide an input.

38. **Mr. PAPULI** (Acting Secretary, Policy-making Organs), replying to a question by the representative of Turkey, said that only a meeting of the Programme and Budget Committee was scheduled for September. However, an additional regular session of the Board could be convened, if the Board so wished.

39. **Ms. OK** (Turkey) said that if an additional regular meeting of the IDB was to be held in September, her delegation would withdraw its objection to postponing the deadline to July.

40. **Mr. HALIM MOHAMED** (Sudan), speaking on behalf of the African Group, said that since other groups, particularly the European Union, were in favour of extending the deadline to allow time for consultations and to enable the question of leadership to be separated from that of the future of UNIDO, the African group could agree to convening an additional regular session, in September.

41. **Mr. CLERISMÉ** (Observer for Haiti) said that his delegation preferred to uphold the decision taken by the Industrial Development Board in December 1996, namely, that the election of the Director-General would take place at the seventeenth regular session of the Board. Haiti had already put forward a candidate and other Member States should be encouraged to do likewise. The 60-day deadline could then be reduced to 30 days to accommodate a June election, and arrangements could be put in hand to transform the June session into a conference to confirm the election.

42. **Mr. FÖRSTER** (Netherlands), speaking on behalf of the European Union, said that it supported Morocco's proposal as it did not conflict with existing rules and was a common sense approach, particularly in the light of the Director-General's announcement. It would also give Governments an opportunity to consider whether, in view of the outcome of the discussions at the current session, they wished to propose national candidates. If a regular IDB session were to be held in September, it would follow that, under the 60-day rule, the deadline would fall at the end of July.

43. **Ms. PENSADO MORENO** (Mexico) expressed her delegation's support for the proposal by the Moroccan

delegation. The Board should bear in mind, however, that the General Conference was the only body empowered to change the date of Board meetings and that it had been decided at the sixth session of the General Conference in December 1996 that its seventh regular session would be held from 1 to 5 December 1997. The Industrial Development Board could not discuss matters outside its mandate.

44. **Mr. LI Changhe** (China) supported the Moroccan delegation's proposal and was opposed to the position of the Haitian delegation.

45. **Mr. HALIM BENATTALLAH** (Algeria) said that if the Board were embarking on a substantive discussion, his delegation would wish to express its views because it did not agree with the European Union that the consideration of the matter should be postponed until September. However, his delegation had understood that the Board was being asked to approve a procedural matter, in which case the substantive discussion should take place under the appropriate agenda item.

46. **Mr. POSTA** (Hungary) expressed his delegation's support for Morocco's proposal because it would not involve suspending the rules of procedure, which was appropriate only in exceptional circumstances.

47. **Mr. IKEDA** (Japan) said that if the Board were to discuss the election of the Director-General at its regular session in June, it would detract from the more important item of the future of the Organization. An additional regular session in September would be able to focus better on the election issue so that the General Conference could confirm its decision at the end of the year.

48. **Mr. SOKOLOV** (Russian Federation) expressed his delegation's support for the Moroccan proposal for the reasons given by previous speakers. Member States should first decide the future direction of the Organization and then choose its leader.

49. **Ms. OK** (Turkey) said that as the Programme and Budget Committee would be meeting from 8 to 10 September, an additional regular session could be held on 11 September, rather than at the end of September as had been suggested. That would in turn set the date for the deadline.

50. **Mr. PAPULI** (Acting Secretary, Policy-making Organs) said that the Programme and Budget Committee was due to meet from 8 to 12 September. In view of the tight meeting schedule, conference facilities would be available only during the week 1 to 5 September or at the beginning of November. It might therefore be possible to shorten the meeting of the Programme and Budget Committee to four days and reserve the fifth day for a one-day Board session devoted to the election issue.

51. **Ms. OK** (Turkey) said that as had been stated at the Heads of Delegations meeting, time was needed for consultations and for hearing all delegations' views. Her delegation would therefore submit a specific proposal under agenda item 2, to allow time for reflection.

52. **Mr. HALIM BENATTALLAH** (Algeria) agreed that priority should be given to the most important item on the agenda.

53. **Mr. KHALIL** (Tunisia) endorsed Morocco's views and supported Turkey's proposal regarding the order of discussion.

54. **Mr. POSTA** (Hungary) reminded the Board that it would have to take a decision before 23 April, the current deadline, if it wished to consider Turkey's suggestion.

55. **Ms. HASAN** (Pakistan) urged that more time be allowed for consultations, in view of the rules and regulations and the limited conference facilities.

56. **The PRESIDENT** observed that the majority of speakers had been in favour of holding an additional regular session in September when conference facilities were available, and a number of speakers had called for more time for consultations. Some had opposed the idea of postponing the deadline. He therefore suggested that Mr. Halim Mohamed (Sudan), Vice-President, should hold informal consultations with any interested delegations, with a view to reaching a consensus position.

57. *It was so decided.*

The meeting rose at 12.55 p.m.